

# HSBC Vietnam Manufacturing PMI™

## Vietnam manufacturing edges back into expansion territory in March

### Summary

The seasonally adjusted HSBC Vietnam Manufacturing PMI rose back above the neutral 50.0 mark in March, posting a 23-month high of 50.8. Although the rate of expansion signalled by the PMI was only moderate, it was nonetheless the second-highest in the two-year series history.

March data pointed to modest recoveries in the levels of both manufacturing production and new orders, following contractions in the prior month. Companies benefited from an improving domestic market, increased promotional activity and a slight expansion in the level of incoming new export orders.

New export business increased for the first time in 11 months during March. Manufacturers linked the latest growth in new export sales to improved demand from clients in China, Japan and Thailand.

Growth of new orders and production filtered through to the labour market, with March seeing employment rise for the fifth time in the past six months. However, evidence of spare capacity remained present during the latest survey period, as highlighted by a further decline in backlogs of work. Outstanding business fell for the twelfth straight month, albeit to the least marked extent during the current sequence of decline.

Input cost inflation surged higher during March, amid reports of increased prices on international commodity markets. Vietnam manufacturers reported the steepest increase in their purchasing costs since last September, with the rate of inflation rising back above the survey average.

Part of the increase in input prices was passed on to clients in the form of higher selling prices. Output charges rose for the second successive month and at the fastest pace since April 2012. However, the rate of increase in selling prices remained well below that of input costs. Some companies attributed this to ongoing subdued market conditions and strong competition.

Vietnam manufacturers maintained a preference for reduced inventory holdings in March, leading to further depletion of both raw material and finished goods stocks. In contrast, purchasing activity was raised for the second time in the past three months, reflecting increased production.

### Comment

Commenting on the Vietnam Manufacturing PMI™ survey, Trinh Nguyen, Asia Economist at HSBC said:

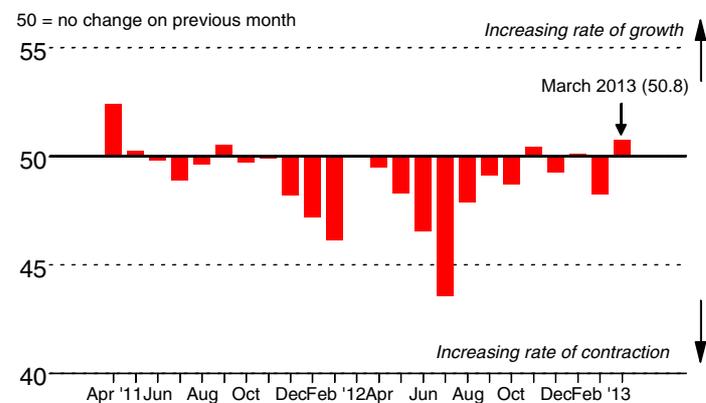
*"March's expansion of manufacturing output is consistent with our view of a gradual recovery in Vietnam. The process is likely to be bumpy, however. What's most positive moving forward is a rebound of external demand, which should help counterbalance weak internal demand in the coming months."*

### Key points

- Headline PMI hits 23-month high
- Output and new orders rise following February's contractions
- Cost inflation accelerates to six-month peak

### Historical Overview

#### HSBC Vietnam PMI



Sources: Markit, HSBC.

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## **Notes to Editors:**

The HSBC Vietnam Manufacturing PMI is based on data compiled from monthly replies to questionnaires sent to purchasing executives in around 400 manufacturing companies. The panel is stratified geographically and by Standard Industrial Classification (SIC) group, based on industry contribution to Vietnamese GDP. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

The *Purchasing Managers' Index™ (PMI™)* is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times index inverted so that it moves in a comparable direction.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from Markit. Please contact [economics@markit.com](mailto:economics@markit.com).

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